National Energy Board | Office national de l'énergie

Reasons for Decision

TransCanada PipeLines Limited

RH-1-2006

November 2006

Tolls and Services

Canada

2007-00306

National Energy Board

Reasons for Decision

In the Matter of

TransCanada PipeLines Limited

Application for approval of Short Notice Services and related tolls.

RH-1-2006

November 2006

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Abbreviations

Act	National Energy Board Act
AOOC	Annual Owning and Operating Cost
APPrO	Association of Power Producers of Ontario
ARP	Alternate Receipt Points
Board or NEB	National Energy Board
CAPP	Canadian Association of Petroleum Producers
CDA	Central Delivery Area
Coral	Coral Energy Canada Inc.
DDA	Distributor Delivery Area
DPBS	Downstream Pipeline Balancing Service
EDA	Eastern Delivery Area
Enbridge	Enbridge Gas Distribution Inc.
FT	Firm Transportation
FT-RAM	Firm Transportation-Risk Alleviation Mechanism
FT-SN	Firm Transportation Short Notice
G&A	General and Administrative
Gaz Métro	Société en commandite Gaz Métro
GJ or GJ/d	Gigajoules or gigajoules per day
GLGT	Great Lakes Gas Transmission System
GTA	Greater Toronto Area
IESO	Independent Electricity System Operator
IGUA	Industrial Gas Users Association
IT	Interruptible Transportation
LBA	Limited Balancing Agreement
LDC	Local Distribution Company
Mainline	TransCanada Mainline natural gas transmission system

MW	Megawatt
Ontario	Minister of Energy for the Province of Ontario
PALS	Parking and Loan Service
Quebec	Procureur général du Québec
SNB	Short Notice Balancing
STFT	Short Term Firm Transportation
TAP	Transportation Access Procedures
TJ	Terajoules
TQM	Trans Québec & Maritimes Pipeline, Inc.
TTF	Tolls Task Force
TransCanada	TransCanada PipeLines Limited
Union	Union Gas Limited
Vector	Vector Pipeline Limited Partnership

Glossary of Terms

Delivery Area	A geographic area within a toll zone that is comprised of multiple delivery points where shippers receive delivery of their natural gas.
Delivery Point	A point within a delivery area where TransCanada delivers natural gas pursuant to a gas transportation contract.
Direct Connect Power Plant	A power generation plant that is directly connected to TransCanada's pipeline system through a dedicated distribution lateral with deliveries to the plant provided solely by this lateral.
Downstream Pipeline Balancing Service	Intra-day balancing service offered by Union Gas Limited providing a firm park and loan service at Parkway with 15-minute nomination windows.
Embedded Power Plant	A power generation plant that receives deliveries from a distribution system that is providing service to other customers.
Fixed Energy Charge	A charge which recovers expenses for Operations, Maintenance and Administration, NEB cost recovery, regulatory proceedings and capital costs for metering facilities.
Group 1 NEB regulated pipelines	The major pipeline companies which are subject to ongoing regulatory oversight by the National Energy Board.
Integrated System	Facilities owned directly by TransCanada as well as the contractual entitlements to transport natural gas on the GLGT, Union and TQM systems.
Long Haul	Transportation service originating at Empress, Alberta or at a Saskatchewan receipt point on the TransCanada Mainline.
Open Season	A process in which a pipeline company offers either existing or new capacity to the market and receives bids for that capacity from market participants.
Parking and Loan Service	A balancing service which allows shippers to store or borrow natural gas for any term anywhere on the Mainline. It is offered at TransCanada's discretion based on its ability to provide the requested service.

Receipt Point	Either a single point or a delivery area at which TransCanada receives natural gas pursuant to a gas transportation contract.
RH-3-2004	NEB Proceeding on TransCanada's North Bay Junction Application (Reasons for Decision dated December 2004)
Short Haul	Transportation service originating at locations other than Empress or a Saskatchewan receipt point.
Short Notice Services	Proposed new services of FT-SN and SNB, taken together.
Tariff	The terms and conditions under which the services of a pipeline are offered or provided, including the tolls, the rules and regulations, and the practices relating to specific services.
Toll	The price charged by a pipeline company for transportation and other services.
Tolls Task Force	A joint industry task force initiated by TransCanada. Its membership is comprised of a wide cross-section of the natural gas industry, including representatives of the producing, marketing, brokering and pipeline segments of the industry, provincial governments and local distribution and industrial end-use customers.
Transportation Access Procedure	A procedure that sets forth the process by which TransCanada shall administer requests for service to ensure fair and equitable treatment to all shippers seeking services with TransCanada for the transportation of natural gas utilizing TransCanada's system capacity.

Recital and Appearances

IN THE MATTER OF the *National Energy Board Act* and the regulations made thereunder; and

IN THE MATTER OF an application dated 1 May 2006 by TransCanada PipeLines Limited (TransCanada) pursuant to Part IV of the Act for an order approving amendments to the Tariff of TransCanada's Mainline to implement two new services designed to meet the requirements of gas-fired electrical power generators: Firm Transportation – Short Notice (FT-SN) service and Short Notice Balancing (SNB) service; and

IN THE MATTER OF Hearing Order RH-1-2006.

Heard in Toronto, Ontario on 18, 19, 20, 21 and 22 September 2006 and in Calgary, Alberta on 27, 28 and 29 September 2006.

BEFORE:

J.S. Bulger	Presiding Member
R.R. George	Member
G.A. Habib	Member

Appearances	**Company**	**Witnesses**
C.K. Yates, Q.C. D.P. Langen	TransCanada PipeLines Limited	S. Emond P. Exall D. Ferguson L. Jensen T. Stringer R. Whitmore
P. Moran	Association of Power Producers of Ontario	R. Cary D. Cramer B. Kelly
N.J. Schultz	Canadian Association of Petroleum Producers	
P. Thompson, Q.C.	Industrial Gas Users Association	
G. Cameron	Coral Energy Canada Inc.	
J. Farrell	Enbridge Gas Distribution Inc.	D. Charleson J. Huber
P. Moran	GTA Generators (The Portlands Energy Centre, TransCanada Energy Ltd., Sithe Global Power Goreway ULC, Sithe Global Power Southdown ULC)	R. Cary D. Cramer B. Kelly

L.E. Smith, Q.C.	Union Gas Limited
J.C. Turchin E. Sweet	Minister of Energy for the Province of Ontario
R. Richard	Procureur général du Québec
M.A. Fowke J. Fisk	National Energy Board

Overview

(Note: This overview is provided solely for the convenience of the reader and does not constitute part of this Decision or the Reasons. For details the reader is referred to the relevant sections of the Reasons for Decision.)

The Application

On 1 May 2006, TransCanada applied to the Board for an order approving amendments to its Mainline Tariff to implement two new services designed to meet the requirements of gas-fired electrical power generators; namely, Firm Transportation – Short Notice (FT-SN) service and Short Notice Balancing (SNB) service. TransCanada's application included proposed toll methodologies for both services.

The Hearing

The public hearing lasted eight days in total. The hearing of evidence commenced in Toronto on 18 September 2006 and continued until 22 September 2006. Final argument commenced in Calgary on 27 September 2006 and concluded on 29 September 2006.

FT- SN Service

The Board approved TransCanada's proposed FT-SN service, including the requirement that FT-SN be nominated and delivered to a separate delivery area with a separate meter. Further, the Board approved the proposal that the separate FT-SN delivery areas be used only for the delivery of natural gas under FT-SN contracts, and that flow control valves be installed at FT-SN meter stations.

The Board approved the proposed FT-SN toll methodology which resulted in a 10 percent premium over the FT toll and directed TransCanada to conduct a yearly recalculation of the premium. The Board determined that shippers should be allowed to convert an FT contract into an FT-SN contract at any time, not just in a one-time six month window as proposed by TransCanada. The Board also directed TransCanada to include the FT-SN contract demand in the calculation of allocation units for toll design purposes and to exclude the 10 percent premium for Transportation Access Procedures bidding purposes.

SNB Service

The Board approved the proposed SNB service but rejected the proposed tolling methodology. The Board directed TransCanada to develop an alternative tolling methodology which addresses the concerns noted in the Decision.

Chapter 1

Introduction

1.1 Background and Application

TransCanada PipeLines Limited (TransCanada) owns and operates the Mainline natural gas transmission system (Mainline), which extends from the Alberta border across Saskatchewan, Manitoba, Ontario, through a portion of Quebec and connects to various downstream Canadian and international pipelines. The Mainline integrated system includes contractual entitlements to transport natural gas on the Great Lakes Gas Transmission System (GLGT) from Emerson, Manitoba to St. Clair, Michigan; on the Union Gas Limited (Union) system from Dawn, Ontario to Parkway, Ontario and to Kirkwall, Ontario; and the Trans Québec & Maritimes Pipeline, Inc. (TQM) system from Saint-Lazare, Quebec to Saint-Nicolas, Quebec and East Hereford, Quebec. Figure 1-1 is a map of the TransCanada Mainline integrated system.

On 1 May 2006, TransCanada applied to the National Energy Board (NEB or Board) under Part IV of the *National Energy Board Act* (Act) for an order approving amendments to its Mainline tariff to implement two new services to meet the requirements of gas-fired electrical power generators. The proposed services would be Firm Transportation - Short Notice service (FT-SN) and Short Notice Balancing service (SNB), together referred to as the Short Notice Services. TransCanada noted that these services would also be available to all shippers on the Mainline.

TransCanada submitted that the proposed Short Notice Services have been devised in response to an initiative by the Ontario Government to replace 7,500 megawatts (MW) of coal-fired electricity generation starting in late 2007, with 2009 as a target for completion. This is to be achieved through the procurement of cleaner sources of energy, demand side management and transmission upgrades. In 2004, the Ontario Ministry of Energy issued a Request for Proposals for 2,500 MW of cleaner electricity or demand side measures. Six projects were selected, five of which were gas-fired generation projects: two combined cycle gas-fired generation projects in the Sarnia, Ontario area for a total of 1,575 MW, two 280 MW gas-fired generation projects for the Greater Toronto Area (GTA), and one 90 MW cogeneration project in Mississauga. One of the 280 MW projects was subsequently withdrawn by the project sponsor.

All of the announced projects and plans to procure energy, to date, add up to 5,375 MW of new gas-fired generation capacity. Using a general rule that 20,000 gigajoules per day (GJ/d) is required for 100 MW of generation, this translates into an approximate combined peak demand of 1.08 petajoules per day. Figure 1-2 is a map showing the general location, MW output and approximate peak gas demand for the plants described above.

Figure 1-1
TransCanada Mainline

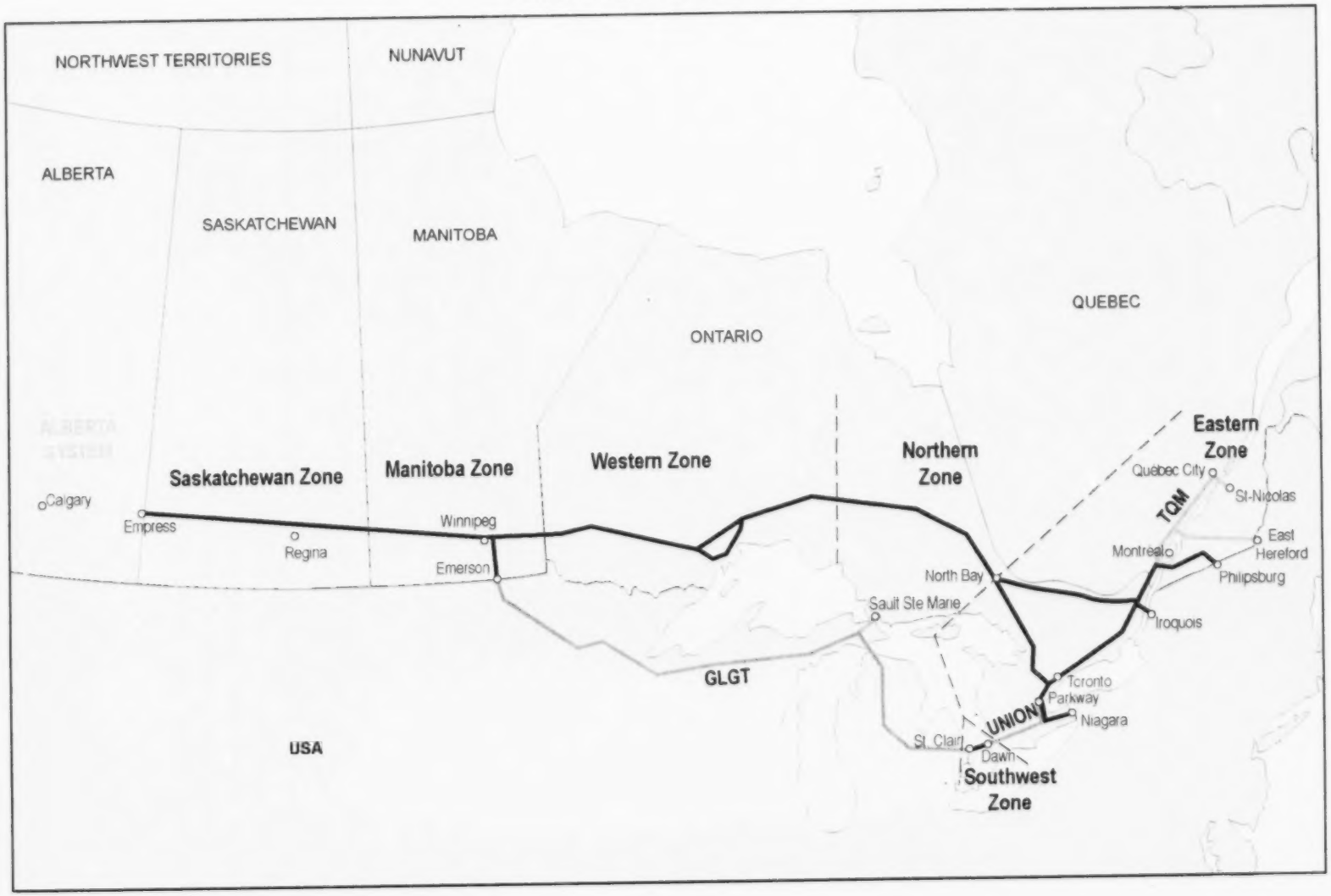
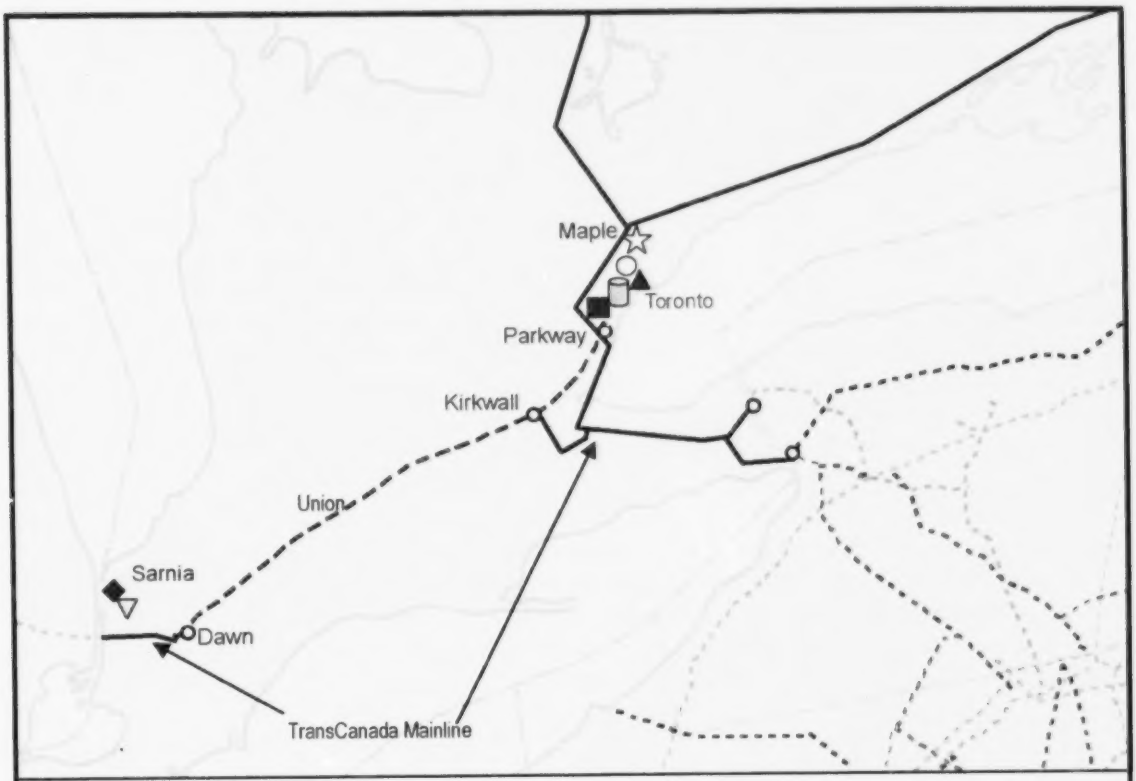


Figure 1-2
New Gas-Fired Generation in Ontario



Greater Toronto Area

▲ Greater Toronto Airport Authority, 90 MW Co-generation, approximately 20 TJ/d peak demand, currently in service

■ Greenfield South, 280 MW, approximately 50 TJ/d peak demand, in service 2009

☆ Portlands Energy Center, 550 MW, approximately 110 TJ/d peak demand, in service 2008/2009

⌭ Goreway Station, 880 MW, approximately 170 TJ/d peak demand, in service 2007/2008

○ GTA West RFP, 1000 MW, approximately 200 TJ/d peak demand, in service date to be determined

Sarnia Area

◆ Greenfield Energy Centre, 1005 MW, approximately 200 TJ/d peak demand, in service 2007/2008

▽ St. Clair Power, 570 MW, approximately 110 TJ/d peak demand, in service 2007/2008

Many of these new facilities may demonstrate significant fluctuations in gas consumption from day to day and within the day based on five minute dispatch notifications from the Ontario Independent Electricity System Operator (IESO). A five minute dispatch notification reflects the physical requirement to balance electrical supply to electrical demand on a real-time basis. Whether a plant is dispatched for any five minute period depends on total electricity demand, availability of electricity supply from other generation facilities and the price of incremental electricity supply from each generation facility.

Current services, such as Firm Transportation (FT), are not ideally suited to meet large loads (up to 100,000 GJ/d) with hourly flows that can vary significantly and change on short notice. For example, an FT shipper may not be able to obtain authorization of intra-day nomination increases. The nomination windows available for FT service (four windows daily) may not offer sufficient flexibility to meet the evolving needs of power generation market. Further, the maximum hourly rate of flow for FT service may not be flexible enough for such a market.

In an effort to respond to the needs of the power generation market, TransCanada and others have sought to employ collaboration, consultation and creativity in designing the new services and attempting to resolve issues associated with them. While all parties recognized the need to provide such services in principle, there were differences in opinion respecting the terms and conditions which should apply. The consultation effort expanded over several years and involved meetings between TransCanada and various stakeholders, including Mainline shippers, power generators, the IESO, local distribution companies (LDC) and the Tolls Task Force (TTF). TransCanada also participated in related Ontario Energy Board proceedings, including the Natural Gas Electricity Interface Review generic proceeding.

1.2 Hearing Process

After receiving TransCanada's application, the Board issued a letter dated 30 May 2006 seeking the views of interested parties on the type of process, associated timelines and the list of issues that should be considered in dealing with the application. Submissions were received from the Canadian Association of Petroleum Producers (CAPP), Coral Energy Canada Inc. (Coral), Enbridge Gas Distribution Inc. (Enbridge), Société en commandite Gaz Métro (Gaz Métro), the Ministry of Energy for the Province of Ontario (Ontario), the GTA Generators (consisting of the Portlands Energy Centre, TransCanada Energy Ltd., Sithe Global Power Goreway ULC, Sithe Global Power Southdown ULC), Union and TransCanada.

On 29 June 2006, the Board issued the RH-1-2006 Hearing Order, stating that it had decided to convene an oral public hearing commencing 18 September 2006 to consider TransCanada's application.

The Board heard evidence in Toronto, Ontario between 18 and 22 September 2006 and final argument in Calgary, Alberta between 27 and 29 September 2006.

1.3 List of Issues

In its RH-1-2006 Hearing Order, the Board identified, but did not limit itself to, the following issues for discussion in the proceeding:

1. The appropriateness of the attributes of the proposed Short Notice Services, including access and the appropriate tolling; and

2. The impact of the proposed Short Notice Services on existing services.

Chapter 2

Proposed Short Notice Services

2.1 FT-SN Service Attributes

2.1.1 Overview

The proposed FT-SN service is a renewable, assignable firm service with a minimum one year contract term that permits intra-day nominations as frequently as every 15 minutes, with up to 96 nomination windows per day. Nominations must be expressed in terms of hourly flow rates. The full contracted FT-SN capacity would be reserved throughout the gas day to accommodate FT-SN nominations. This is different from FT service where an FT shipper is only assured access to capacity in the first nomination window. A comparison of FT-SN and FT service attributes is summarized in Table 2-1.

Table 2-1
Comparison of FT-SN and FT Service Attributes

	FT-SN	FT
Intra-day Reservation of Capacity	Yes	No
Renewal Rights	Yes	Yes
Minimum Term	One year	One year
Toll at 100 percent Load Factor	110 percent of the 100 percent load factor FT toll	100 percent load factor FT toll
Diversions and Alternate Receipt Points (ARP)	Available at four standard nomination windows	Available at four standard nomination windows
Firm Transportation-Risk Alleviation Mechanism (FT-RAM)	Not available	Available
Assignments	Available	Available
Nomination Requirements	GJ/hour	Daily quantity nominations (GJ/d)
Nomination Windows	Up to 96, 15 minutes prior to gas flow	Up to four
Maximum Hourly Entitlement	5 percent of (contract demand less diversions/ARPs)	5 percent of authorized daily quantity
Separate Distributor Delivery Area Required for each Meter Station	Yes	Only if warranted
Flow Control Required at Point of Delivery	Yes	Only if warranted

2.1.2 Separate Delivery Area and Meter

FT-SN service would be nominated and delivered to a separate delivery area and a separate meter station. Flow control would be required at the point of delivery. A delivery area that has been contracted for FT-SN service could only be used for the delivery of gas under FT-SN contracts, although multiple customers could take delivery under FT-SN service at the same meter.

Position of TransCanada

TransCanada noted that due to the large and volatile load profile of the power generator customers, a separate delivery area and meter would help ensure that neither the Mainline operations nor TransCanada's ability to maintain certainty of service for existing shippers is compromised. TransCanada stressed that absent separate delivery areas and meters, it would place itself at risk of failing to meet its contractual obligations to other shippers.

A separate delivery area and meter are required for FT-SN deliveries in order to distinguish between FT-SN flows and non-FT-SN flows. The FT-SN service requires flow rate nominations that will provide TransCanada with information regarding exactly how much gas is expected to flow to a specific location at an hourly rate. By being able to identify the hourly flow required for FT-SN, TransCanada would then be able to use that information to ensure accurate control of flows at the FT-SN delivery point. TransCanada indicated that it does not want other services going through the same meter as FT-SN service because that would give TransCanada less information about how the FT-SN customer is operating throughout the day. More specifically, FT nominations are a daily nomination and do not provide TransCanada with flow rate information. By mixing FT and FT-SN service at the same meter, TransCanada would not have any information on the net flow through the meter because, under FT, a shipper at any given time or hour in the gas day can take anywhere from 0 to 120 percent of the average hourly flow.

TransCanada noted that the separate delivery area and meter features of the FT-SN service are common to services provided by other natural gas transmission pipelines in jurisdictions serving similar power generation markets. In particular, TransCanada noted that Vector Pipeline Limited Partnership (Vector) provides a service called FT-H that requires a single dedicated nomination delivery point. Vector limits delivery at those points to a single contract because the pipeline cannot distinguish among multiple contracts to the same point.

TransCanada expressed concerns with existing delivery areas that span large geographical areas and involve several distinct segments of its pipeline system (for example, Union Eastern Delivery Area or EDA). TransCanada explained that if FT-SN nominations and deliveries were part of a large delivery area, rather than to an FT-SN specific meter station, it would not receive the direct and immediate information to permit it to react to a change in the FT-SN shipper's consumption of gas. More specifically, TransCanada indicated that attempting to provide FT-SN to the broader delivery area would reduce the efficiency of TransCanada's operations since TransCanada would not be able to proactively adjust compression and linepack in anticipation of a change in consumption, and would have to react to changes in consumption after they started to occur. This could result in TransCanada being unable to meet its contractual obligations.

TransCanada argued that while it understands that more flexibility is desirable, the Association of Power Producers of Ontario (APPrO) and the GTA Generators did not provide evidence that they require the flexibility that would be afforded by access to other services through an FT-SN meter.

TransCanada indicated that it is open to evolving the Short Notice Services to permit further innovation to meet the need for additional service flexibility, including working on the multi-service meter issue. However, TransCanada noted that resolving the metering issue may require changing how FT service is nominated which in turn would require extensive discussions with shippers. TransCanada stated that it requires a base from which to start and submitted that such base should be the approval and implementation of the services as proposed.

Enbridge's Proposals

Enbridge proposed modifications to TransCanada's FT-SN service. Enbridge's first proposal recommended that FT-SN service be nominated to an existing Distributor Delivery Area (DDA), such as the Enbridge Central Delivery Area (CDA) or the Enbridge EDA, subject to the following conditions:

1. The FT-SN contract would specify the DDA that gas would be delivered to by TransCanada;

2. The FT-SN deliveries to the DDA for the gas day would be included in the deliveries that are subject to the Limited Balancing Agreement (LBA) for the DDA;

3. Each gas-fired power plant, whether direct connect or embedded, would be served by the distribution system;

4. The LDC would install metering facilities with electronic measurement and a flow control device at the power plant;

5. The LDC would monitor the actual flows at the plant relative to all nominated services to the plant; and

6. The LDC would use the flow control valve in situations where the power generator's consumption deviates from nominated values and threatens the integrity of either the Mainline or the distribution system.

As an alternative, Enbridge recommended that if its first proposal is not acceptable, TransCanada's proposal should be modified to have each FT-SN contract specify the delivery point sales meter station within the broad DDA to which the gas would be delivered. The FT-SN deliveries to that point for each gas day would then be included in the LBA for the broad DDA.

Positions of Parties

APPrO/GTA Generators

APPrO and the GTA Generators supported the approval of FT-SN service as proposed by TransCanada. They acknowledged that the service is not perfect and they would prefer more flexibility such as allowing multiple services through the FT-SN delivery area and meter. However, APPrO and the GTA Generators maintained that the question of metering is one that needs to be resolved between TransCanada and the LDC and they stressed that the service, as proposed by TransCanada would work for them. Their ultimate concern is making sure that what is approved is a service that TransCanada is willing to implement and that the power generators can contract for.

In response to CAPP's suggestion of an additional consultation period of three to six months to work out metering concerns, APPrO and the GTA Generators noted that timing is critical and the power generators need a short notice service in place now. APPrO and the GTA Generators suggested that once all parties have a chance to see how it works, improvements, if necessary, could be made later.

CAPP

CAPP indicated it did not take issue with the requirement of a separate delivery area and meter for FT-SN service. It did not have any concerns with TransCanada's need for real-time information on the flows into the separate delivery area. CAPP acknowledged that a point-specific delivery area for FT-SN nominations would provide TransCanada with better and more timely information on flows at a specific point.

CAPP expressed concern with limiting the deliveries to the new separate delivery area to a single service, FT-SN. It could not understand why TransCanada cannot handle more than one service through the meter and indicated that this limitation would degrade the existing FT service. CAPP explained that limiting the meter to a single service would mean a power generator's entire load requirement would have to be served with FT-SN. As a result, holders of existing services, such as FT, would not be able to serve the generator's load requirement. CAPP indicated that TransCanada's proposal to roll-in the cost of the new meter station means all shippers, including FT shippers, have to pay for the very facilities that will prevent FT shippers from serving the power generators' needs. CAPP urged the Board to protect the interests of existing shippers.

CAPP was of the view that power generators have made it clear they would prefer to have a multi-service meter. CAPP suggested that the Board approve the new services subject to a condition that the FT-SN service must be served by a multi-service meter and TransCanada must resolve how that can be done. It also suggested that there could be an additional consultation period of three to six months to work out the problem. CAPP did not comment on either of Enbridge's two proposals.

IGUA

The Industrial Gas Users Association (IGUA) noted that meters should be installed at the location or locations, which, in the Board's view, would best achieve the system security objective for TransCanada and the connecting LDC system.

Coral

Coral acknowledged TransCanada's concern that it should know where on its system it is going to be called on to serve the large and volatile loads which are characteristic of peaking and mid-load power generators. It suggested that this concern relates to the nature of the customer's load and not the service the customer uses.

In Coral's view, TransCanada's proposal to limit FT-SN service to an FT-SN delivery area and meter is too restrictive. Additionally, Coral indicated that adding a second meter to provide FT service to a power generator is a waste of both money and time.

Coral stated that it was unable to challenge TransCanada's assertion that Enbridge's first proposal would not give TransCanada sufficient information as to the location on its system where TransCanada would be called on to provide the service. Coral supported Enbridge's second proposal of specifying an LDC gate station for the FT-SN deliveries and urged the Board to modify FT-SN, at least to the extent of Enbridge's second proposal.

Enbridge

Shippers, according to Enbridge, need more flexibility and choice than TransCanada's proposal allows. In particular, shippers need the ability to use other services in combination with FT-SN. It noted there are shippers, other than power generators or their suppliers, such as Enbridge, that may be interested in contracting for FT-SN.

Enbridge stated that it did not disagree with TransCanada's need for information and the ability to act upon it; however, it disagreed with TransCanada's proposed means to respond to these needs. Enbridge specifically disagreed with having a separate delivery area for each FT-SN delivery point. In its view, the point-specific nature of FT-SN limits the number of load balancing service options available to a direct connect power generator.

Enbridge proposed that FT-SN service be nominated to an existing DDA or a delivery point sales meter station within the broad DDA. The FT-SN deliveries for the gas day would then be included in the deliveries that are subject to the LBA for the delivery area. By doing this, Enbridge stated that other service providers, including itself, would be able to design competitive balancing alternatives for the FT-SN shippers. Enbridge noted that another benefit of the proposed modifications is that they would eliminate the cost of redundant meter facilities to supply FT-SN service.

Union

Union stated that it supports increased flexibility and more frequent intraday nominations for electric power generators. It supported the basic premise of TransCanada's proposed Short

Notice Services with some qualifiers. In particular, Union was of the view that FT-SN should flow at multi-service meters within a DDA. If FT-SN service is limited to a single service meter, Union argued that another meter would certainly have to be installed adjacent to the FT-SN meter to provide other non-FT-SN services. Union stressed there is no need to impose unnecessary costs through duplicate facilities.

Union recommended that the Board approve Enbridge's first proposal that permits FT-SN deliveries to the broader DDA. Should the Board prefer Enbridge's second proposal, Union indicated that this would also be acceptable. Union noted that Enbridge's first proposal facilitates the availability of the new service to all Mainline shippers and stressed that it is important that the service be implemented in a manner that enhances its availability to the broadest group of shippers.

Ontario

Ontario submitted that the Board should direct TransCanada to undertake consultations with stakeholders to resolve the issue of whether more than one service should be allowed to flow through a FT-SN meter and how it should be implemented. In the event the Short Notice Services are approved, Ontario suggested that TransCanada should be made to report to the Board within two years of the Board's Decision, or sooner.

Views of the Board

The Board reiterates the view it expressed in the RH-3-2004 Decision[1]:

> TransCanada, as owner and operator of the Mainline, has a primary responsibility to ensure that the pipeline remains adapted to a rapidly changing natural gas market environment.

The Board commends TransCanada for being innovative and adaptive in developing a new service for an emerging market. The Board acknowledges TransCanada's efforts in consulting with various stakeholders including existing and potential new shippers and appreciates all parties' efforts in trying to reach a consensus on the proposed services. It is clear from the record that all parties agree that there is a need to develop new services to serve the gas-fired power generation market. The issue before the Board is that not all parties agree on how those services should be provided and tolled.

The evidence adduced indicates that the new power market will be unpredictable and volatile with large hourly fluctuating rates of consumption. The Board agrees with and accepts TransCanada's argument that, due to the nature of these loads and until it gains operational experience, TransCanada requires safeguards to enable it to maintain its Mainline system integrity and to ensure it is able to continue

1 RH-3-2004 Reasons for Decision, North Bay Junction, p. 36

meeting its current delivery obligations. Furthermore, the Board is of the view that the direct and immediate hourly flow information that a separate meter would provide would assist TransCanada in ensuring existing users of Mainline services are not negatively impacted by the new services. This would not be the case if TransCanada were receiving a mixture of hourly and daily flow information through a multi-service meter. The Board therefore does not accept either of Enbridge's proposed modifications to the FT-SN service.

That being said, the Board appreciates the concerns expressed by Enbridge, Union and Coral regarding the potential for increased costs resulting from the construction of additional meters. The Board also notes TransCanada's willingness to consider future changes to the Short Notice Services including the possibility of receiving multiple services at an FT-SN delivery area and meter. The Board therefore encourages TransCanada to explore and consider how in the future it could manage allowing multiple services at an FT-SN delivery area. The Board appreciates that in the short term some meters may be built before the metering issues are resolved. However, the Board is persuaded that timing is important and does not believe that delaying the implementation of the FT-SN service until these metering details can be worked out is warranted.

The Board further notes that an application and decision subject to Part III of the Act would be required prior to constructing any new FT-SN meter stations.

Decision

The Board approves TransCanada's proposal for FT-SN service. This service is to be nominated and delivered to a separate delivery area with a separate meter. Furthermore, the Board approves TransCanada's proposal that the separate FT-SN delivery areas be created and be used only for the delivery of gas under FT-SN contracts.

2.1.3 Flow Control

TransCanada proposed that flow control valves be installed at the point of delivery. Two scenarios in which an FT-SN shipper could be connected to the Mainline were discussed during the hearing: the direct connect scenario and the embedded scenario. The direct connect scenario involved the connection of an FT-SN shipper to the TransCanada pipeline through a dedicated distribution lateral directly off the Mainline with deliveries to the shipper provided solely by this lateral (see Figure 2-1). The embedded scenario involved deliveries to the FT-SN shipper from a distribution system that would also be providing distribution service to other customers (see Figure 2-2).

Figure 2-1
Direct Connect Power Plant

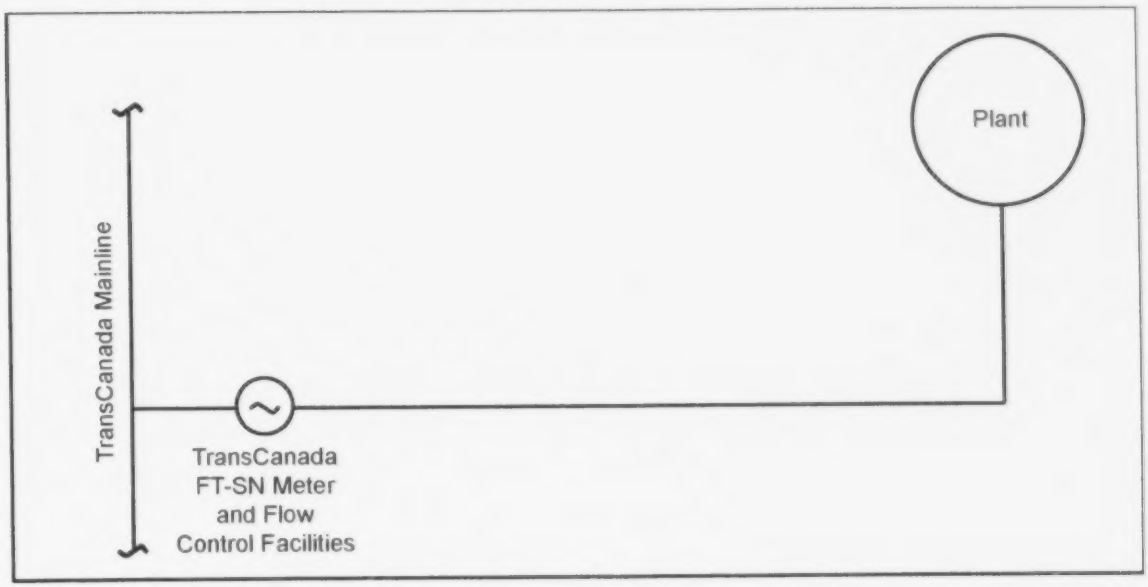
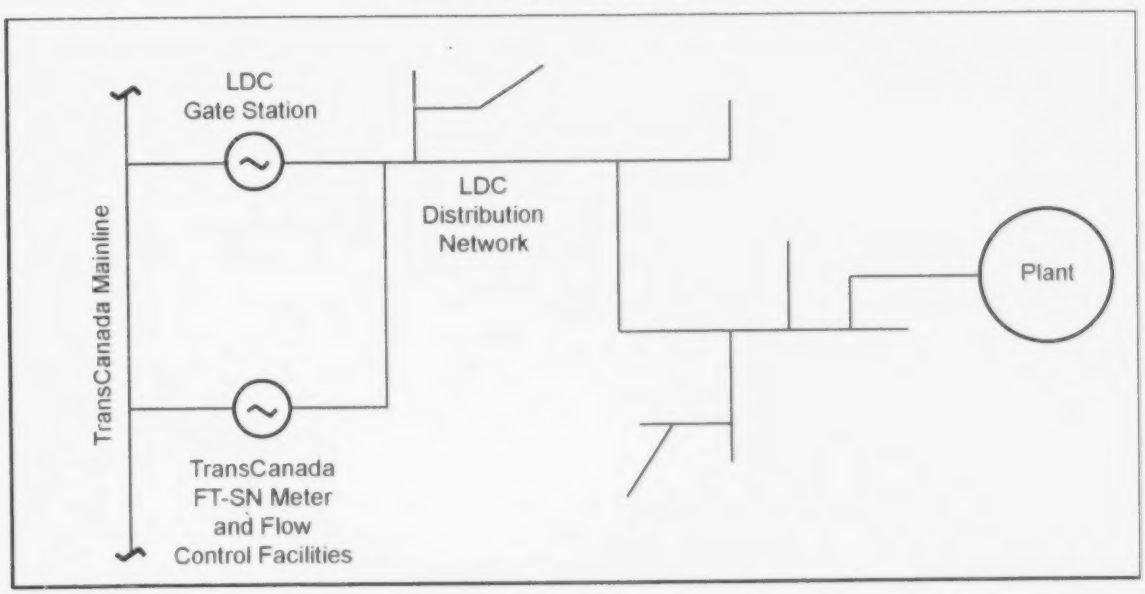


Figure 2-2
Embedded Power Plant



Position of TransCanada

TransCanada indicated that it requires flow control valves to ensure the power generators do not exceed the authorized nomination level throughout the day in order to protect the integrity of the Mainline.

TransCanada opposed Enbridge's two proposals because in both cases, TransCanada would not have control of the flow control valves. TransCanada noted that both proposals would constrain its ability to limit flows to FT-SN shippers that may be taking more than their authorized nominated amounts. TransCanada pointed out that this in turn would undermine its ability to protect its system integrity and deliveries to other shippers. It expressed concern with Enbridge's suggestion that Enbridge and TransCanada work co-operatively to operate the control valves at the plant. It did not agree with giving Enbridge the discretion to control the valves when it is TransCanada that ultimately bears the responsibility and therefore the liability for maintaining the integrity of the Mainline system. Thus, TransCanada maintained that the control of the valves and the liability must lie with the same party, TransCanada.

In response to Union's suggestion that concerns about system integrity could be managed in the same way the system has been operated for many years, TransCanada noted that the existing system is stressed in meeting existing market demands. TransCanada indicated that in the past it has missed contract pressure as a result of excessive takes by a customer. It stressed that layering new large, volatile, and less predictable loads on the system in the GTA region without implementation of necessary controls would be imprudent.

In response to concerns raised by Union that flow control valves would not work in a single-service meter situation, TransCanada pointed out that they would work for a direct connect plant situation. TransCanada indicated that volatility of loads is the issue. TransCanada therefore acknowledged if FT loads were volatile, it would want flow control valves at those meters serving that FT load. Additionally, TransCanada acknowledged it would consider installing flow control valves at existing meters if it determined they were necessary to protect the integrity of its system.

Positions of Parties

CAPP

CAPP indicated that it did not take issue with the requirement for flow control to ensure that deliveries to the new delivery area do not impact the integrity of TransCanada's system operations.

IGUA

IGUA stated that the flow control valves should be installed at the location or locations which, in the Board's view, would best achieve the system security objective for both TransCanada and the connecting LDC system.

Coral

Coral indicated that it did not object to flow control valves *per se* and understood TransCanada's need for them for certain customers. However, Coral stated that it saw no point in such valves being a mandatory condition of an FT-SN contract. It noted that TransCanada recognized this reality when it acknowledged the potential need for flow control valves for certain customers regardless of the services the customer has contracted for.

Enbridge

Enbridge stated that the evidence is clear that a flow control valve immediately downstream of a single-service meter does not work for embedded power plants. It stated that the best location for a flow control valve, particularly for embedded power plants, is at the power plant gate where the LDC could monitor and operate it.

Enbridge noted that the LDC would be aware of all the services being nominated by the power plant and therefore would be in a better position to evaluate whether the power plant is exceeding authorized nominations. It indicated that it would not agree to have TransCanada operate the flow control valve on Enbridge's system. However, Enbridge noted that it would be willing to work co-operatively with TransCanada to develop an efficient binding protocol and procedure to activate the control valve if necessary at the plant gate. Enbridge stated that it has a strong interest in maintaining the integrity of the Mainline in order to ensure the safe and reliable service to all end use customers.

Union

According to Union, the evidence shows that system integrity would not be assured by deploying flow control at the single-service meter. More specifically, Union stated that the evidence showed that the operation of the control valve at the single-service meter makes no difference to system integrity when a multi-service meter exists at the same point. It indicated that vastly greater volumes than those likely to flow under FT-SN service currently flow at multi-service gate stations across the balance of the system every day. It therefore asserted that flow control valves are redundant in the context they are being advanced in this application.

Union noted that system integrity is a shared concern and a shared responsibility. It suggested that operational concerns about system integrity could be managed in the same way the system has been operated for many years. With respect to the issue of installing flow control valves, Union recommended that the Board approve Enbridge's first proposal, which would not require TransCanada to install such valves.

Ontario

Ontario stated that flow control did not appear to be a necessary element of FT-SN. It submitted that the Board should direct TransCanada to undertake consultations with stakeholders to determine if the flow control devices could be dispensed with and report its findings to the Board within two years of the Board's Decision, or sooner if possible.

Views of the Board

The Board accepts Enbridge's position that a separate meter station with flow control in an embedded situation would not completely ensure system integrity. However, in response to this concern, the Board recognizes that TransCanada has indicated that it could install flow controls at existing meter stations based on future experiences in certain delivery areas to ensure the integrity of its system. The Board

acknowledges that it is TransCanada's responsibility to ensure the integrity of its overall system. The Board is therefore of the view that TransCanada should not have to rely on other parties, such as Enbridge, to operate flow control valves. In the absence of a mutually agreed upon binding protocol, the Board accepts that flow control valves installed at the point of delivery off the Mainline will form part of the FT-SN service being offered to shippers.

Notwithstanding the above, the Board encourages continued co-operation between TransCanada and the LDCs to ensure that the entire gas transportation and distribution system operates in an efficient manner having regard to the integrity of the system as a whole.

Decision

The Board approves TransCanada's proposal to have flow control valves at FT-SN meter stations.

2.1.4 Communications and Flow Control Protocols

Enbridge stated that it does not disagree with TransCanada's need for information and the ability to act on that information. It does disagree, however, with TransCanada's means of achieving those needs. Enbridge submitted that a suitable communications protocol would provide the information, on the one hand, and a suitable flow control protocol would provide the ability to act, albeit jointly with an LDC, on the other. Further, in Enbridge's submission, it would be in the mutual best interests of TransCanada and the LDCs to develop a binding protocol.

Enbridge stated that it sees no reason why a communications protocol could not become binding as an availability criterion in the Mainline Tariff. This protocol would, in Enbridge's view, obviate the need for a single-service meter at a discrete delivery point for FT-SN service. TransCanada would rely on telemetry from its meter stations in addition to nominations as a means of managing flows on its system.

TransCanada noted that a communications protocol is not part of the tariff, so it has no legal validity or effect in respect of governing the actions of the parties. It also pointed out that past communication has not been effective, as demonstrated by large variances between forecast and actual peak hourly loads between TransCanada's Mainline and Enbridge's delivery areas.

Currently there is no protocol, and TransCanada suggested that there is little prospect of one being developed between now and when FT-SN service would be implemented, if approved. Further, if the protocol was made an availability criterion, TransCanada could not provide the service if the protocol did not exist.

Views of the Board

The Board has no objections to communications or other types of protocols being established as their purpose is to clearly set out the rules and procedures to be followed and to increase understanding for all parties. The Board encourages TransCanada and the LDCs to continue with the informal communication processes that they have historically undertaken. Should a more formal or binding protocol be established over time, the Board expects that it be filed with the Board for approval and may become part of TransCanada's Mainline Tariff.

The Board's decision in this application is not dependent on protocols being established. As noted by TransCanada, if protocols were to be made an availability criterion for FT-SN and SNB services, TransCanada could not offer the services until they were included in its Mainline Tariff. The Board believes that the offering of FT-SN and SNB services should not be unnecessarily delayed until the matter is resolved.

Decision

The Board denies Enbridge's submission that binding protocols for FT-SN and SNB services be a condition of approval.

2.1.5 Conversion of FT to FT-SN

TransCanada indicated it would provide a one-time six month window for existing FT shippers to evaluate whether they would prefer to convert their FT contract into an FT-SN contract with the requisite characteristics of FT-SN service (including the separate delivery area and flow control). The conversion would include the FT contract flows being administered at a separate delivery area for FT-SN flows only and the associated tolls adjusted accordingly as of the agreed upon start date. TransCanada noted that some time must be allowed to implement the required changes (for example, the flow control technology) before the conversion could take place.

The majority of TransCanada's customers have a one-year contract term and a six-month renewal notice period. However, TransCanada acknowledged it could not think of any harm to the system to allow an FT shipper to convert to FT-SN at any time.

Enbridge stated that a one-time conversion option is unreasonable, as well as unnecessary, and it recommended that the Board approve an open-ended conversion option.

Views of the Board

The Board is of the view that if a shipper wishes to convert an FT contract to an FT-SN contract at any time, TransCanada should accommodate the request where feasible.

Decision

The Board directs TransCanada to allow shippers to convert an FT contract into an FT-SN contract at any time, subject to meeting the requirements for FT-SN service and TransCanada's ability to implement the service.

2.2 FT-SN Toll Design

The proposed FT-SN toll at 100 percent load factor is 110 percent of the 100 percent load factor FT toll. TransCanada proposed that all revenue from the FT-SN service be credited against the Mainline gross revenue requirement as Non-Discretionary Miscellaneous Revenue.

Position of TransCanada

TransCanada indicated that the FT-SN toll is premised on TransCanada's existing firm transportation service which is an integrated cost of service based toll. It noted that the Short Notice Services design maximizes the use of existing Mainline facilities in order to provide the services to the new market.

TransCanada stated that the FT-SN toll is 10 percent higher than the FT toll to reflect an estimate of the opportunity cost of potentially foregone discretionary revenue. More specifically, because the FT-SN service provides the shipper with guaranteed access to the contract demand at all nomination windows, any unused FT-SN capacity is not available for discretionary services. In order to quantify the potential discretionary revenue impact of FT-SN, TransCanada analyzed the revenues from discretionary services from 2001 to 2005, as shown in Table 2-2.

Table 2-2
Discretionary Revenue Evaluation ($ Million)

	2001	2002	2003	2004	2005
Gross Revenue from IT, FT diversions/ARP, STS overrun and PALS	101.2	726.1	177.8	136.9	258.8
Less FT-RAM/AOS/FT Make-Up Credits	0.0	661.7	0.0	23.4	138.8
Net Discretionary Revenues	101.2	64.4	177.8	113.5	120.0

The potential percentage impacts of these discretionary revenues on the Eastern Zone FT tolls for 2001 to 2005 are shown in Table 2-3.

Table 2-3
Discretionary Revenue Evaluation
(Percentage Impact on Eastern Zone FT Toll)

2001	2002	2003	2004	2005
5.0%	3.2%	9.4%	6.6%	7.5%

TransCanada noted that the information in Table 2-3 was considered in establishing the premium on the FT-SN toll. A premium of 10 percent was chosen as a conservative measure of the net impact on discretionary revenue of FT-SN.

In response to IGUA's proposal that the FT-SN toll be set at 115 percent of the FT toll to reflect the true value of the FT-SN service, TransCanada argued that neither IGUA nor others submitted evidence respecting the appropriateness of value-based tolls nor a quantification of other costs to be considered.

TransCanada noted that current billing determinants are based on contract quantity multiplied by distance. Any form of discount or premium would require an adjustment to either the quantity or distance in order to get the appropriate revenue allocated to the service. TransCanada explained that if the quantity was adjusted this would impact the fixed energy charge. If the distance was adjusted, the load centre would be impacted. Because of these impacts, TransCanada recommended that FT-SN revenues be included in Non-Discretionary Miscellaneous Revenue which, by way of functionalization, provides a fixed cost contribution.

Positions of Parties

APPrO/GTA Generators

APPrO and the GTA Generators noted that the 10 percent premium reflects a conservative estimate by TransCanada that is based on the average contribution of discretionary revenue during the period from 2001 to 2005. APPrO and the GTA Generators indicated that since the average historical discretionary revenue during that period was 7.1 percent, FT-SN shippers are going to pay more than what the analysis suggests. That being said, APPrO and the GTA Generators indicated that they are willing to support the FT-SN toll as proposed.

CAPP

CAPP agreed that the FT-SN should be cost based and should attract a premium. It noted that the 10 percent premium should be considered to be the absolute minimum that should be levied as the impact of the capacity reservation feature of FT-SN is greater than the potential foregone discretionary revenue. CAPP suggested the premium should reflect the impact of FT-SN service on the lost opportunity for FT shippers to optimize the use of their contracts with FT-RAM, Authorized Overrun Service (AOS) and FT Makeup and the impact on fuel usage.

CAPP recommended that a review of the premium be conducted should circumstances so suggest.

IGUA

IGUA stated the FT-SN toll at 110 percent of the FT toll is inappropriately low and recommended that the FT-SN toll should be increased to at least 115 percent of the FT toll. IGUA suggested that the Board consider the value of service criteria and other cost causation factors in determining whether the 10 percent premium is just and reasonable. More specifically, in determining the value of FT-SN compared to FT service, IGUA suggested the Board should consider the adverse impacts on existing shippers such as reduced system flexibility, increased exposure to balancing fees and higher costs for discretionary service. IGUA also submitted that the Board should consider the extent to which the actual Interruptible Transportation (IT) premium in 2005 exceeded the FT toll. IGUA stated that the average amount paid for IT service in the Union CDA, the Enbridge CDA and at the Iroquois delivery point was 115 percent of the FT toll. In considering cost causation, IGUA suggested the Board should consider the potential costs avoided by FT-SN shippers such as daily load balancing charges and penalties.

Regarding the treatment of the FT-SN revenue, IGUA questioned whether it is appropriate to exclude the FT-SN volume and distance allocation factors in deriving FT tolls. IGUA regarded the volume-distance methodology to be a core facet of TransCanada's toll design.

IGUA noted that there is evidence on the record to support the finding that TransCanada has failed to give appropriate weight to facts pertaining to toll design principles, which should have been considered.

Coral

Coral indicated that it has no objection to the proposed tolling for FT-SN and it does not advocate a value-based toll for FT-SN as proposed by IGUA.

Enbridge

Enbridge stated that it seems illogical to exclude FT-SN from the calculation of billing determinants. It noted that FT-SN is a firm year-round service just like FT. Enbridge recommended that the contract demand for FT-SN be counted for toll design purposes and that only the revenue attributable to the premium should be allocated to miscellaneous revenue. Enbridge noted that it understood the premium is not locked in, nor should it be.

Gaz Métro

Gaz Métro stated that the 10 percent premium should constitute a minimum and should be adjusted as required. Gaz Métro recommended that the Board establish an adjustment mechanism to ensure the premium reflects the reality of the impacts of the FT-SN service.

Union

Union indicated that it is prepared to accept FT-SN service subject to periodic review of the toll premium, given that the opportunity cost pricing methodology is a novel and as yet untried method of rate-making.

Ontario

Ontario noted that if the premium is approved, it would mark the first time opportunity cost has been used for rate-making purposes for any Group 1 NEB regulated pipeline. Ontario indicated that TransCanada had not provided sufficient rationale for moving to an opportunity cost rate design. Nevertheless, given that APPrO and the GTA Generators indicated a willingness to pay a 10 percent premium for FT-SN, Ontario stated that the 10 percent premium appears reasonable under the circumstances.

Ontario submitted that the Board should direct TransCanada to submit revised FT-SN service tolls for the Board's review within two years of the Board's Decision, or sooner if possible. Ontario indicated that the revised FT-SN tolls should be developed using standard toll design principles other than opportunity cost.

Quebec

The Procureur général du Québec (Quebec) noted that a small premium beyond the 10 percent proposed by TransCanada should be imposed. This small premium should take into account costs beyond the opportunity cost of foregone discretionary revenue such as the costs of additional meters and flow control valves and additional staff needed to handle the increase in nomination windows.

Views of the Board

The Board agrees with the premise that the FT-SN toll should be cost-based. The Board is not persuaded by IGUA's argument that TransCanada should include the value of the service in determining its toll. In the Board's view, a value-based methodology would be more appropriate in a situation where a clear comparison can be made of the value of one service relative to another service. The Board does not agree that the value of the premium for FT-SN should be compared to the average premium that shippers are willing to pay for IT service. The characteristics of FT-SN and IT are different and the requirement to pay tolls also differs between the two services. Accordingly, the Board is prepared to accept the concept of opportunity cost as a methodology in order to calculate the FT-SN toll.

However, the Board is concerned that the determination of the 10 percent premium is somewhat arbitrary. The 10 percent premium is almost three percentage points higher than the average contribution of discretionary revenue to the Eastern Zone toll over the past five years and almost one

percentage point higher than the highest contribution over the past five years. The Board is of the view that not all costs have been considered and included in the premium. IGUA, CAPP and Quebec have provided suggestions of what costs, in their view, could be considered in determining the premium.

Given the various cost considerations suggested and the lack of consensus on what costs should be considered, the Board considers that it would be appropriate at this time to provide a measured approval of the FT-SN opportunity cost methodology toll. Further, the Board notes that most parties have suggested that the premium should undergo a regular periodic review. The Board agrees and directs TransCanada to conduct a yearly recalculation of the opportunity cost of the foregone discretionary revenues that can be attributed to the FT-SN service. The Board would prefer that this be done in consultation with the TTF. In addition, the Board expects TransCanada, in consultation with its stakeholders, to review the impacts of FT-SN and thoroughly consider all the costs that should be reflected in the FT-SN toll premium in future toll filings with the Board.

Regarding the treatment of the FT-SN revenue, the Board is not persuaded that the total FT-SN revenue should be credited against the Mainline gross revenue requirement as Non-Discretionary Miscellaneous Revenue. The Board accepts the view that FT-SN, which is a firm service, should be treated in the same manner as FT service. More specifically, the Board is of the view that the contract demand for FT-SN should be included in the calculation of the allocation units for toll design purposes. Given the somewhat arbitrary value of the premium, the Board directs that the revenues attributed to the FT-SN premium should be included in Non-Discretionary Miscellaneous Revenue.

Decision

The Board approves the FT-SN toll methodology as filed.

The Board directs TransCanada to conduct a yearly recalculation of the opportunity cost of the foregone discretionary revenues that can be attributed to the FT-SN service. TransCanada shall include the revised FT-SN toll and all relevant calculations and documentation in its annual toll application to the Board.

If, as a result of consultations with stakeholders, TransCanada develops a methodology other than opportunity cost, which reflects costs that should be included in the premium,

TransCanada shall file an application for approval of this methodology with the Board.

The Board directs TransCanada to include the contract demand for FT-SN in the calculation of the allocation units for toll design purposes. The revenue attributable to the FT-SN premium shall be included in Non-Discretionary Miscellaneous Revenue.

2.3 SNB Service Attributes

2.3.1 Overview

SNB service would be a new firm service that would facilitate the effective operation of the FT-SN service by providing flexibility for balancing purposes. TransCanada would use Mainline compression and linepack to provide the flexibility to the gas-fired power generators as part of its response to the market need for variable consumption on short notice.

SNB could be used by FT-SN shippers to provide access to an alternative source of supply or market. This new service would enable effective nominations at up to fifteen minute intervals even if upstream pipeline systems cannot match the 96 windows proposed by TransCanada. SNB could also be used to reduce exposure to balancing penalties.

2.3.2 SNB Attributes

Position of TransCanada

A shipper could request an SNB contract with a contract demand up to the contract demand of its FT-SN contract. An FT-SN contract would always be a prerequisite to an SNB contract; however, it would be possible to have a FT-SN contract without an SNB contract. An SNB contract would be associated with an SNB account where shippers could nominate for supply out of the account or nominate gas into the account as part of their FT-SN nominations. This way, shippers would ensure that nominated receipts equal nominated deliveries as much as possible. This new service would be a balancing service rather than a transportation service. The use of SNB could reduce exposure to balancing penalties; it could also be considered as a valuable storage option thus reducing the amount of storage needed. TransCanada recognized that if interconnecting service providers would offer services that align with FT-SN nomination windows, the need for balancing services would be reduced.

There would be two key limitations to the access of an SNB account. First, the SNB account balance would be limited to half of the contract demand above a zero account balance and half of the contract demand below a zero account balance. Second, the maximum rate that a shipper would be allowed to deposit to or withdraw from its account would be limited to the maximum hourly flow rate of the accompanying FT-SN contract, which is five percent of the FT-SN contract demand in an hour.

TransCanada proposed to have a limit of one SNB contract per FT-SN contract in order to limit the administrative complexities associated with balancing multiple SNB accounts with FT-SN contracts. An SNB account balance would have to be at zero at the end of the contract and there would be no fees to have either a positive or negative balance throughout the duration of the contract since the shipper would already pay a toll to access the tolerance band of the SNB account. Furthermore, the term of the SNB contract would have to be the same as the term of the associated FT-SN contract.

In determining if it has enough capacity to provide SNB in a given location, TransCanada would conduct a transient analysis to determine the required facilities. This transient analysis would be based on operating knowledge and experience and be supported by detailed technical analysis as appropriate. This analysis would be done through a modelling process of the area on the Mainline located around the location of the request. The result of this analysis would indicate if new facilities need to be built or not. Each of these facility requirements would be assessed on an individual basis either during an open season or on an impromptu basis. If new facilities were found to be needed, TransCanada would require a minimum 10-year commitment. In these circumstances, it would ultimately be the decision of the Board to approve those new facilities based on the evidence provided in part by TransCanada but also by the service applicant with the assurance that these facilities are needed and would be used. In all likelihood, TransCanada noted that no new facilities would be required for SNB associated with a long-haul contract because the transportation capacity from the receipt point to the delivery point would be available when the FT-SN contract is not being used and when the SNB contract is being used to pack or draft the linepack. This means that TransCanada could utilize linepack anywhere between the receipt point and the delivery point in order to provide the SNB service.

TransCanada recognized that a limit of 188,450 GJ was imposed by the Board, at the request of certain parties, when the Parking and Loan Service (PALS) was approved to cap the amount of gas that could be loaned from linepack. TransCanada indicated that its position was that the limit imposed on PALS was not required and that this cap is not relevant to SNB because the nature of this new service would be significantly different than PALS.

Although it may need to increase its monitoring of the area operations in order to manage potential swings in linepack caused by the use of the SNB service, TransCanada indicated that existing Gas Control staff should be sufficient to accomplish those new tasks.

According to TransCanada, the SNB service should be approved as filed. SNB service would provide as much flexibility as possible with today's knowledge without risking TransCanada's ability to meet its contractual obligations. By using SNB, TransCanada would likely gain experience and the service could potentially evolve. However, only the Board would have the authority to approve any modifications to this service.

Positions of Parties

APPrO/GTA Generators

APPrO and the GTA Generators were prepared to accept the attributes of SNB as proposed by TransCanada without modifications. In their view, SNB is a positive step forward in meeting the

needs of gas-fired generators to balance intra-day gas volumes. They view SNB as an alternative to Union's Downstream Pipeline Balancing Service (DPBS), which could eventually be considered as a competitive service.

IGUA

Based on the proposed attributes of SNB, IGUA was of the view that SNB would be a highly valuable service. However, IGUA questioned the possibility of using as much as 350,000 GJ from the linepack without consequences, when in a previous Board decision related to PALS, a cap of 188,450 GJ for linepack utilization was approved.

Coral

Coral supported the services proposed by TransCanada in principle. In Coral's view, the new Short Notice Services, including SNB, would be additional tools with which it would be able to supply the power generation market in a more efficient manner. Coral plans also to use other services offered by TransCanada and by other service providers in fulfilling the needs of this particular market. In wanting to keep the full suite of services available for it, Coral was concerned by the fact that the SNB service would be tied to FT-SN, giving a default competitive advantage to TransCanada by restricting the availability of other services.

Enbridge

In Enbridge's view, SNB is a balancing service rather than a transportation service; its comments related to the delivery area construct rather than to the specific attributes of SNB. The choice of balancing services is limited by the fact that FT-SN and, by extension, SNB could only be delivered at a specific meter station, thus reducing flexibility. According to Enbridge, if the Board were to approve its proposed modifications, SNB could be delivered to broad DDAs. To reinforce its case, Enbridge underlined the fact that the power generators have noted that the single meter station may not be the ultimate solution. Enbridge also argued that its modifications would offer a higher degree of flexibility by providing the ability to offset over-deliveries of one customer, or a collection of customers, within a broad DDA, against under-deliveries by another customer, or collection of customers, within the broad DDA. In Enbridge's view, this approach would be cost effective and has served the market well over the years.

Accordingly, Enbridge asked the Board to approve its proposed modifications because the actual attributes of FT-SN and SNB are an unnecessary limitation on a shipper's flexibility and choice.

Union

Union supported the basic premise of SNB; however, it expressed one concern with regard to transparency of SNB contracts. According to Union, the custom nature of SNB and the fact that all the related costs are to be borne by the consumers of that service require a careful, open process which would permit a review of the technical analysis each request for service would trigger.

Views of the Board

The Board agrees with TransCanada that SNB is not a transportation service but a balancing service.

The Board also agrees with TransCanada and virtually all of the intervenors who provided comments, that SNB service will be useful in providing flexibility to power generators, and potentially other customers, for balancing purposes. Furthermore, the Board recognizes the usefulness of this type of service when the upstream service provider cannot match TransCanada's nomination cycles.

Decision

The Board approves the attributes of SNB service as filed by TransCanada.

2.4 SNB Toll Design

Position of TransCanada

TransCanada proposed that an incremental cost based toll be used as the tolling methodology for SNB service. The suggested approach would be similar to the incremental tolls for delivery pressure charges. Each particular SNB toll would reflect the costs to provide the service, based on the parameters of the SNB contract (contract quantity, hourly entitlement, receipt and delivery locations) and would include a demand charge per GJ of SNB contract quantity.

In TransCanada's view, a number of aspects can justify the incremental nature of the SNB toll. First, since the above-mentioned parameters represent a distinct set of circumstances for each shipper, each SNB request should be considered as a custom service. It is this custom service characterization that led TransCanada to the incremental tolling methodology and to claim that an individual toll for each contract would be just and reasonable. Second, since SNB would not be a transportation service, thus not having a distance component, incremental tolls appeared to be necessary to allocate an appropriate level of costs to the specific SNB service. Third, since there would be no system-wide benefit to other shippers during the term of the SNB contract, TransCanada determined that rolled-in tolls should not apply. The facilities used to provide the SNB service would not increase the throughput capacity on the integrated system and would instead be used to provide a custom service to a specific user or group of users.

Being a cost-based toll, the SNB toll should encompass all readily identifiable and determined costs incurred solely for the benefit of a particular shipper. However, practical considerations and limitations on cost allocation procedures would prevent tolls from being absolutely cost based.

TransCanada viewed the inherently unique nature of the SNB service as a reason why the traffic for different SNB contracts should not be considered as being of the same description and carried over the same route as other SNB contracts. Thus, even if two customers were located very close to each other, a different toll for each would be justified since the parameters of each service would not be identical.

For each SNB contract, TransCanada submitted that the SNB toll should be determined by adding together two components: Annual Owning and Operating Costs (AOOC) and a General and Administrative Charge (G&A).

Annual Owning and Operating Costs

The AOOC is the fixed operating and maintenance expense, depreciation, return and taxes for facilities used in providing the SNB service and/or Transportation by Others costs required to serve the particular SNB contract. The result of the transient analysis described in the previous section would be used to determine the specific facilities deemed to be used under a specific SNB contract and would be accounted for in the AOOC portion of the toll calculation.

In all likelihood, if an SNB contract were to be associated with a long-haul FT-SN contract, no specific facilities would be required to provide the service because TransCanada would have access to the facilities associated with the long-haul FT-SN contract. The AOOC would then be zero.

In the situation where new facilities were to be required, the capital cost of the facilities would be used to determine the toll. In the situation where existing facilities were to be used for the purposes of providing SNB service, the net book value of the identified facilities would be used to determine the toll.

General and Administrative Charge

The second part of the toll calculation for the SNB service, the G&A portion, would be derived by taking the Mainline's Fixed Energy Charge for the test year and removing the AOOC portion of the metering facility costs associated with the Fixed Energy Charge since these costs would be recovered from the accompanying FT-SN contract. This G&A portion would always be greater than zero and constant across all SNB contracts for a given year.

The monthly demand charge for SNB would be the sum of these two components. TransCanada indicated that it would include any SNB tolls in its annual tolls application for Board approval. If TransCanada were to offer SNB service during the year, it would file the toll with the Board for approval before providing the service. TransCanada proposed that SNB revenues be applied as a credit to the Mainline gross revenue requirement as Non-Discretionary Miscellaneous Revenue.

In the event that two identical SNB requests (same contract quantity, same hourly entitlement and same receipt and delivery points) were to be considered at the same time by TransCanada, the resulting tolls would be identical. The total set of facilities required to provide both SNB service requests would be allocated proportionally to each SNB shipper based on contract quantity. If new facilities were required, an equal share of the remaining facilities as well as an

equal share of the new facilities would be allocated to each new shipper. Alternatively, if these two identical requests were to come at different points in time, the two tolls would be averaged in order to comply with section 62 of the Act. According to TransCanada, timing would only be a factor if any one of the variables were different. If all attributes of the services were the same, they would have the same toll and timing would be irrelevant.

TransCanada submitted that in the event the Board deemed the proposed SNB toll design inappropriate, TransCanada would want the Board to approve what it considers to be an appropriate toll design as a result of this proceeding. It further mentioned that a postage stamp toll for each DDA would not be acceptable. However, TransCanada indicated that if the Board were to direct TransCanada to use an averaging approach by geographic area in designing the SNB toll, this averaging should be done by receipt point and operational segment.

Positions of the Parties

APPrO/GTA Generators

APPrO and the GTA Generators were prepared to accept the SNB toll design as proposed by TransCanada without modification. In their view, even if the appropriateness of the cost for each specific SNB contract remains unclear, a customer-specific incremental toll is acceptable, although the tolls could be different for similar services. From their point of view, the availability of infrastructure to deliver SNB in a given location is just another factor to take into consideration in assessing a plant location and trying to minimize the SNB toll. However, APPrO and the GTA Generators were concerned about the risks associated with the blending of the tolls for two identical SNB contracts.

APPrO and the GTA Generators did not consider that it would be appropriate to compare the costs of SNB with the costs of other balancing services offered by TransCanada, namely PALS, or storage offered by other LDCs, claiming that these services were all different in nature, contracted for different reasons and had different attributes and priority levels.

CAPP

CAPP agreed with the premise that the SNB toll should be cost based. However, it was concerned with the fact that the toll could vary depending on the timing of the request to TransCanada and could vary also by delivery point even if those points were in the same general area. In this regard, CAPP suggested that more simplicity and uniformity would be desirable when determining the tolls for this service. In its view, one way of achieving these outcomes would be to determine a toll associated with a cluster of facilities and when an SNB contract would be provided through this cluster, the previously determined toll would apply.

IGUA

IGUA was of the view that the proposed tolling methodology for SNB is inappropriate and should not be approved by the Board. IGUA submitted three reasons as to why the customer-specific tolling methodology should be rejected in favour of a class toll, just as it is for FT-SN. First, as specified by the SNB Toll Schedule, the SNB service would be provided using the combined capacity of TransCanada's integrated system, which should preclude the approval of

the customer-specific feature of SNB as a matter of principle. Second, since the tolling methodology could yield divergent results for customers located in the same geographic area, the customer-specific approach should not be approved. Finally, since each SNB contract would be associated with an FT-SN contract, which is class-tolled and totally dependant on FT-SN attributes, it would be inconsistent to toll SNB differently.

As alternative solutions, IGUA submitted that the toll for SNB should be based on the following premises: it should be cost based and include all of the costs to provide the service. From a value of service perspective, the value should be greater than the highest amount paid for PALS and other storage services offered by other service providers. IGUA suggested that a $0.15 to $0.20/GJ range would be acceptable. Finally, IGUA concurred with CAPP's suggestion with regards to toll uniformity and stability and that geographical averaging could be a good approach.

Coral

In Coral's view, the SNB service should be tolled on a rolled-in basis in order to avoid specific, unfair and discriminatory anomalies associated with incremental tolls. A rolled-in tolling methodology would also avoid the further erosion of the rolled-in principle for the TransCanada Mainline already weakened by the toll methodology for delivery pressure charges.

Coral raised a number of concerns with regard to incremental tolls. First, standard incremental tolls should be applied to newly built facilities, which is not the case here since existing facilities could be used to provide SNB. Second, if two plants are close together but do not receive SNB services at the same meter station, their respective SNB toll could be significantly different and could then become discriminatory. Following the same idea, if two plants were to receive SNB service at the same meter, their two tolls would be averaged together to comply with the requirements of the Act and thus increasing the risk for the first plant to see its toll increase beyond its control. Third, Coral also expressed the view that an incremental tolling for SNB would be problematic because, even though capacity would be reserved during the term of the contract, this capacity would eventually become available to the system and could be said to contribute to the benefits of all shippers once the SNB contract expires. Finally, in determining the facilities required to provide the SNB service, TransCanada would choose the most hydraulically-efficient facilities, thus, in Coral's view, exacerbating the arbitrary aspect of the SNB tolling methodology. One last comment from Coral was that linepack was an asset of the pipeline and the fact that this linepack could be used by a single shipper to reduce its SNB toll in the case of long-haul contract was contrary to the nature of the linepack.

Coral asked the Board to adopt a proactive stance by fixing the SNB toll before approving the service. Coral submitted that the Board should direct TransCanada to develop a new SNB tolling methodology that could be rolled-in by adding a distance component to the calculation. Even though this approach is approximate, it is not worse than the deeming of facilities or the 10 percent opportunity cost for FT-SN. In the meantime, the Board could order TransCanada to provide SNB service at a cost equal to the G&A charges since no new facilities would need to be built in the near future while developing a rolled-in approach.

Enbridge

Enbridge was of the view that the SNB toll methodology has two major flaws. First, it is hard to conceive that two facilities situated close together would be tolled in a different manner depending on timing alone. Second, managing different tolls for each shipper would become complex once all the power generators are on-stream. This complexity could have negative impacts on the transparency and the fairness of how these tolls are determined.

Enbridge submitted that if its proposed modifications were to be approved by the Board, those above-mentioned concerns would be alleviated due to the fact that FT-SN and SNB would be delivered to a broad DDA. The toll for SNB would then be the same for each specific DDA and should also include all costs incurred to provide the service. Although Enbridge did not want to commit to a list of costs to be included, it mentioned the G&A costs, storage costs and AOOC.

Union

Union indicated that it had concerns with the SNB tolling methodology. In its view, the toll should be calculated on a simpler and more fair basis and also reflect traditional cost causation, even if the facilities used to provide SNB are off the path of the FT-SN contract. In order to be able to do that, Union submitted that a postage stamp toll within a single DDA could be an approach to consider. This tolling methodology would result in a reduction of subjectivity associated to the SNB toll and also reduce the potentially wide variations in individual service tolls.

One of Union's concerns was SNB's potential to bottleneck the system and impact the Mainline's ability to provide transportation services in the future since SNB would require the same facilities set, on and off the FT-SN contract path, required to provide transportation. Union also expressed the view that since SNB could be offered at some points in time at a relatively low rate, possibly using existing capacity and highly depreciated facilities, it would have the effect of blocking the path for more lucrative transportation. Union urged TransCanada to follow a transparent and fair process in the calculations of tolls for any SNB services offered.

Quebec

Quebec submitted that the SNB service should be tolled using a postage stamp toll that would prescribe one rate for long-haul shippers and one rate for short-haul shippers and this for each part of a delivery zone with similar natural gas supply characteristics. This way, high variability in the tolls could be prevented.

Ontario

Ontario was of the view that since SNB would rely on linepack, an asset already included in the rate base, this service should then be tolled on a rolled-in basis to reflect this fact. Also, since SNB is directly linked to FT-SN, which has a rolled-in toll, this is another reason to see SNB tolled as rolled-in. Therefore, Ontario asked the Board to direct TransCanada to develop a rolled-in toll in consultation with stakeholders and submit the results within two years, or earlier if possible.

Views of the Board

The Board is of the view that the SNB tolling methodology proposed by TransCanada has several serious flaws. First, the Board is concerned that this methodology could give rise to significantly different tolls when two customers, who may be competitors, are located very close to each other but do not receive their Short Notice Services through the same meter station. This situation could be perceived as discriminatory. Second, the Board is concerned by the fact that TransCanada would have the discretion to deem which facilities might be required to provide the service. This approach is not transparent and could be perceived as arbitrary. Finally, the Board believes that SNB services will be provided using to a large extent the integrated system. Even in circumstances where additional facilities are required for a specific SNB contract, such facilities would be used for the benefit of the entire system as the contract expires. In the Board's view, shippers utilizing the integrated system under similar terms and conditions should be treated equally.

The Board is therefore of the view that a cost-based averaging approach by geographic area should be used, and as noted by TransCanada in its Reply Argument, the averaging could be done by receipt point and operational segment.

Once a tolling methodology is approved, the Board expects TransCanada to include SNB tolls in its annual tolls applications or to file any SNB tolls before providing the service.

Decision

The Board rejects the proposed tolling methodology and directs TransCanada to develop an alternative tolling methodology for Board approval which addresses the concerns above, prior to the commencement of any SNB service.

Once a tolling methodology has been approved and revenues are received, those revenues should be applied as a credit to the Mainline gross revenue requirement as Non-Discretionary Miscellaneous Revenue.

Chapter 3

Impacts on Shippers

3.1 Impact on New Shippers

TransCanada submitted that the proposed services should respond to the desires of the natural gas market. They are designed to provide the greatest degree of flexibility and certainty that is required by a growing number of gas-fired electricity generators. These new services would encourage long-term transportation contracts and enhance the competitiveness of TransCanada's Mainline.

TransCanada expressed the view that the new FT-SN service would allow shippers to match their gas transportation closely with changes in the real-time electricity market. The power generation market in Ontario is such that generators can be dispatched on as little as five-minutes notice to meet real-time demand. From that point, the generator's output can be dispatched up or down depending on prevailing demand as well as prevailing bids and offers from other generators. The new FT-SN service, with its 96 nomination windows and reserved capacity throughout the day was specifically designed to meet the needs of this particular market.

TransCanada stated that the SNB service will provide flexibility to power generators for balancing purposes. It will provide access to an alternative source of supply or market and enable effective nominations at up to fifteen minute intervals even if upstream pipeline systems have less frequent nomination windows. This balancing service would enable power generators to manage their highly volatile loads, thus reducing their exposure to balancing fees.

TransCanada argued that the new services have been requested by the market since 2000 and their development was supported by the Government of Ontario. In TransCanada's view, these new services should have a positive impact on the market by responding to particular needs.

Positions of Parties

All intervenors agreed that the new services were needed to respond to the new requirements of the gas-fired power generating market.

More specifically, the GTA Generators mentioned that dispatchable gas-fired generators operating in Ontario require gas balancing tools to manage the variability between the IESO's pre-dispatch and real-time schedules. In their view, the ability to nominate for service at intervals as frequent as every 15 minutes would provide the generators with a very useful tool to manage intra-day balances resulting from changes in dispatch instructions received from the IESO. Furthermore, the GTA Generators regarded the proposed SNB service as increasing the options available to generators for managing their intra-day balances. For some shippers, SNB service may offer an alternative to Union's DPBS.

In APPrO's view, enhancing gas transportation, balancing and related services for dispatchable gas-fired generators would positively influence both the reliability and the economics of electricity generation. First, the electricity market depends on the reliability of the generators which have to respond to continuous, short-notice variations and contingencies. The generators will require enhanced gas services in order to deliver such reliability benefits in a reasonably economic manner. Second, if inflexibility would be persistent in the gas transportation sector, the IESO would tend to use resources that would not otherwise be economic when it needs to address variability. This would create additional costs to consumers.

Finally, APPrO and the GTA Generators submitted that even if the services proposed by TransCanada were not the ultimate solution, they indeed represent a positive step forward in meeting their needs.

Views of the Board

The Board is of the view that the proposed Short Notice Services should have a positive impact on the natural gas market in Canada. They are part of an economically efficient response to new market conditions and should be supported.

The Board views FT-SN as an innovative service that will respond to the needs of the power generation market and other customers with similar load profiles. SNB service will be a useful tool for power generators and potentially other customers to meet their balancing needs in having access to natural gas supply or market on short notice. The Board also views these services as compatible with services provided by others in order to provide flexibility to end-users.

3.2 Impact on Existing Shippers and Services

Position of TransCanada

As FT-SN and SNB are renewable firm services, the availability of IT and Short Term Firm Transportation Service (STFT) would be reduced by the introduction of the proposed services. The availability of IT would also be reduced during the day as a result of the guaranteed access to services associated with FT-SN.

TransCanada stated that it would operate its system such that these new services would not have an impact on existing services. Also, TransCanada does not expect SNB service to have any effect on the fuel consumption on the Mainline. The fuel ratios and the fuel targets for the Fuel Gas Incentive Program will likely remain the same because the transient impact created by drafting the system would actually require less compression than normal transportation. In the same way, the transient impact created by packing the system would require more compression than normal transportation. The two effects tend to offset each other and result in a change in cost that is close to zero.

TransCanada also submitted that the 10 percent premium associated with FT-SN would be taken into account in the evaluation of the bids under the Transportation Access Procedure (TAP). With this procedure, the bids with the highest value, based on the contract term multiplied by the toll applicable to the requested service over the desired contract path, are awarded the capacity. This means that assuming all other attributes of the request are equal and that the available capacity cannot accommodate all service requests, the FT-SN bid would always take priority over the FT bid.

Positions of Parties

APPrO/GTA Generators

APPrO and the GTA Generators were of the view that the reduction in the availability of discretionary services is a normal outcome when new firm shippers contract for capacity even under current FT service. It is in the nature of those discretionary services to be subject to variation in availability since they have the lowest priority. This reduction in availability arises every time an FT or an FT-SN shipper signs for firm transportation. In APPrO and the GTA Generators' view, this concern is not relevant to the decision the Board has to make.

CAPP

CAPP noted that FT is the fundamental building block in determining the tolls on the TransCanada Mainline. With the introduction of FT-SN, FT would become a degraded service in part because FT-SN shippers would enjoy 15-minute nomination windows, reserved capacity throughout the day and their bids would always win over FT bids when all other things would be equal. CAPP expressed the view that this situation is unacceptable to them and urged the Board to protect the interests of existing FT shippers.

It was noted by CAPP that the impacts on existing services are unknown because the exact demand for FT-SN and SNB is also unknown. To monitor and assess these potential impacts as they emerge, CAPP submitted the following aspects to be scrutinized: the fuel ratios, capacity available for discretionary services, the number of requests received and refused by TransCanada with respect to those discretionary services. CAPP urged TransCanada to monitor these impacts in collaboration with stakeholders.

IGUA

In IGUA's view, there are a number of adverse impacts on FT shippers. The introduction of the new Short Notice Services would likely translate into a loss of the share of discretionary revenues, reduce the system's flexibility as a result of the reduction of capacity for discretionary services and therefore also increase exposure to daily penalties. Another impact on existing services would be the exposure of IT shippers to higher costs for discretionary services as a result of the reservation of capacity throughout the day for FT-SN shippers.

Enbridge

Enbridge expressed concern with the role of the 10 percent premium in TransCanada's open season process. Given that the premium is intended to compensate FT shippers for the lost

opportunity of selling discretionary services, Enbridge stated that it seems unfair to account for the 10 percent premium in evaluating bids under the TAP.

Gaz Métro

Gas Métro noted that the impacts on existing services are unknown, but it is of the view that there would likely be some. Gaz Métro also noted that the flexibility of the system would likely be affected but TransCanada did not give an indication as to the extent that this could happen.

Union

Union submitted that FT-SN and FT should be of the same value for TAP bidding purposes. In Union's view, a toll premium which only offers a conservative assessment of foregone discretionary revenues should not be used to determine the superiority of such a service bid over a competing service bid which will not require the system to forego the same or even a greater level of discretionary revenues.

Quebec

Quebec noted that the consumers in Quebec were located downstream of all the other consumers on the TransCanada Mainline. Given this location on the Mainline, Quebec was concerned about the size of the loads that would be consumed by the power generators. In its view, those large volumes are likely to have negative impacts on existing services that should be mitigated. Furthermore, Quebec expressed concern that drafting or packing the line could increase the fuel ratios even though TransCanada claimed that these ratios should remain constant.

Views of the Board

With respect to the reduced availability of IT and other discretionary services, the Board is of the view that these are externalities that should be expected when new firm services are implemented. It is in the nature of the discretionary services that their price and availability fluctuate over time when new firm shippers sign with TransCanada.

With respect to the TAP, the Board views the inclusion of the 10 percent premium in the evaluation of the bids as unfair to potential FT shippers. FT-SN loads are firm service and should be treated on an equal footing, without advantage, with other FT loads. In the Board's view, TransCanada should exclude the FT-SN premium when evaluating bids to allocate existing or new capacity. FT and FT-SN should have the same priority when it comes to allocating capacity, whether existing or new.

Decision

The Board directs TransCanada to exclude the 10 percent premium for TAP bidding purposes and requires that FT and FT-SN bids be treated equally.

Chapter 4

Two Year Report

During the hearing, TransCanada's views were solicited regarding filing a report with the Board sometime after the Short Notice Services have been implemented and used, which would discuss how the implementation has proceeded. TransCanada indicated that it would have no concerns with filing such a report.

Ontario asked the Board to direct TransCanada to file a report assessing the impacts on existing services two years after the implementation of the new services. Quebec submitted that the Board should request a report one year after the introduction of the proposed services outlining and analyzing the impacts of FT-SN and SNB on existing services. If negative effects were to be identified in this report, Quebec stated that it would then be possible to mitigate these effects through the usual mechanisms.

Views of the Board

The Board is of the view that TransCanada should file, and serve on its Mainline shippers and TTF members, a report on the use of FT-SN and SNB services after two years of operating experience with the new Short Notice Services. The report should include information on the following:

- the use of FT-SN and SNB by customers;
- any issues arising from their implementation;
- possible strategies for dealing with these issues;
- impacts on other services and fuel gas usage;
- changes to discretionary revenue that have occurred;
- an assessment of the continued desirability of FT-SN and SNB services;
- the appropriateness of continuing the 10 percent premium on FT-SN, or an analysis of alternative toll methodologies that could be adopted;
- any further thoughts on the SNB toll design;
- a summary of the facilities that have been built to serve FT-SN and SNB;
- long-term implications on system utilization should there be significant conversion of FT to FT-SN service; and
- any other information that TransCanada feels would be appropriate and helpful to include.

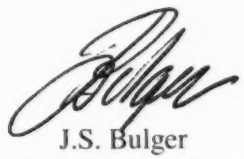
Decision

TransCanada is directed to file with the Board, two years after natural gas starts to flow under an FT-SN contract, a report on the use of FT-SN and SNB services.

Chapter 5

Disposition

The foregoing chapters together with Order TG-08-2006 constitute our Reasons for Decision with respect to TransCanada's application for FT-SN and SNB services heard by the Board in the RH-1-2006 proceeding.



J.S. Bulger
Presiding Member

R.R. George
Member

G.A. Habib
Member

Calgary, Alberta
November 2006

Appendix I

Toll Order TG-08-2006

ORDER TG-08-2006

IN THE MATTER OF the *National Energy Board Act* and the regulations made thereunder; and

IN THE MATTER OF an application filed by TransCanada PipeLines Limited (TransCanada) pursuant to Part IV of the Act for an order approving amendments to the Tariff of TransCanada's Mainline to implement two new services designed to meet the requirements of gas-fired electrical power generators: Firm Transportation – Short Notice (FT-SN) service and Short Notice Balancing (SNB) service; and

IN THE MATTER OF Hearing Order RH-1-2006.

BEFORE the Board on 23 November 2006.

WHEREAS TransCanada filed an application dated 1 May 2006, pursuant to Part IV of the Act, for an order approving certain amendments to the Mainline Tariff to implement FT-SN and SNB services;

AND WHEREAS on 29 June 2006, the Board issued Hearing Order RH-1-2006;

AND WHEREAS an oral public hearing was held on 18, 19, 20, 21, 22 September 2006 in Toronto, Ontario and on 27, 28, 29 September 2006 in Calgary, Alberta during which time the Board heard the evidence and argument presented by TransCanada and interested parties;

AND WHEREAS the Board's decisions on the application are set out in its RH-1-2006 Reasons for Decision dated November 2006, and in this Order;

THEREFORE, IT IS ORDERED, pursuant to Part IV of the Act, that:

1. FT-SN and SNB services are approved, effective immediately.

2. The proposed toll methodology for FT-SN service is approved, subject to an annual recalculation of the opportunity cost of the foregone discretionary revenue.

3. The proposed toll methodology for SNB service is denied and TransCanada is directed to develop an alternative tolling methodology which addresses the concerns of the Board in the RH-1-2006 Reasons for Decision.

4. TransCanada shall file with the Board and serve on the Mainline shippers, Tolls Task Force members and parties to the RH-1-2006 proceeding all revisions to the Mainline Tariff necessary to conform with the decisions outlined in the RH-1-2006 Reasons for Decision and with this Order.

5. TransCanada shall file, two years after natural gas starts to flow under an FT-SN contract, a report on the use of FT-SN and SNB services.

NATIONAL ENERGY BOARD

Michel L. Mantha
Secretary